

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

**Inquiry into the Financial Sector Reform
(Hayne Royal Commission Response—Better Advice) Bill 2021 [Provisions]**

Division: Retirement Advice and Investment Division
Topic: Inquiry into the Financial Sector Reform (Hayne Royal Commission Response—Better Advice) Bill 2021
Reference: Spoken (16 July 2021)
Senator: Rex Patrick

Question:

Senator PATRICK: We heard from ASIC, and we heard concerns from industry, who noted that they generally end up having to pay the regulatory price. This may require additional resources. I'm just wondering why a regulatory impact statement wasn't produced.

Ms Zaheed: As the explanatory memorandum outlines, the bill is compliant with the requirements of the Office of Best Practice Regulation. This was a recommendation coming out of the royal commission, and the government's implementing that. The royal commission final report and the work that was done by Commissioner Hayne have been certified to meet the requirements of the OBPR. Similarly, the work that was done on the independent review of the Tax Practitioners Board has been certified to meet those requirements.

Senator PATRICK: Yes, I understand the rationale behind the bill. But isn't it the case that in theory there ought to be a statement of the costs to business? I'm just trying to understand how that's carved out of the systems.

Ms Zaheed: Senator, your question was very specific about the RIS process, but the cost to the business and thinking through what impost it has on industry have been a key driver in the changes that happened, from what was exposed to what the bill looks like now, in terms of providing more discretion to ASIC to triage matters and some of the other changes that were made, thinking about the registration process works. Those considerations are front and centre in terms of how the bill has changed, following the exposure draft and the consultation. They're being seriously considered, they're being reflected in the changes to the legislation and they'll be a core part of the thinking behind when the regulations are consulted on and drafted and the position's taken in that. The RIS process is a formal process, and, as I've already mentioned, that process was satisfied through the royal commission process.

Senator PATRICK: Noting that it's a key driver and it has been seriously considered, I presume you can provide the committee with some documentation that grounds those two statements and that shows the due diligence you've worked through in relation to cost to industry?

Ms Zaheed: We will consider what we can provide on that one.

Answer:

A key finding by Commissioner Hayne was that there is a “fragmented and ineffective disciplinary system for financial advisers”. He recommended that the Government establish a new disciplinary system for financial advisers that requires all relevant providers to be registered and provides for a “single, central disciplinary body”.

The Office of Best Practice and Regulation has certified the Financial Services Royal Commission Final Report as being informed by a process and analysis equivalent to a Regulation Impact Statement for the purposes of the Government decision to implement the reform.

Consistent with good regulatory impact analysis practices the Department of Treasury (the Department) has undertaken ongoing consultation which has been both targeted and public to settle the policy parameters. This has included consultation on draft legislation.

In considering the compliance cost on business, the Department considered the obligations the Bill placed on relevant providers and Australian Financial Services Licensees.

The exposure draft legislation placed the obligation to register advisers on the Australian Financial Services Licensee and imposed an annual renewal requirement on the licensee.

In response to industry feedback, the Financial Sector Reform (Hayne Royal Commission Response – Better Advice) Bill 2021 will not require the licensee to annually renew an adviser's registration. In addition, the information that is required to register an adviser has been simplified so that it is not more than four statements which can be answered through yes/no questions.